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FISCAL IMPACT STATEMENT

LS 7018

BILL NUMBER: HB 1538

NOTE PREPARED: Feb 10, 2007

BILL AMENDED: Feb 8, 2007

SUBJECT: Military and Veterans Issues.

FIRST AUTHOR: Rep. Reske

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended)This bill:

(A) requires the Department of Administration to collect information on price preferences for certain contracts. The bill provides a 10% price preference for disabled veteran businesses in certain contracts and public works projects. The bill also sets a goal for contracts with disabled veteran businesses equal to 3% of total expenditures;

(B) grants up to two years of service credit for active duty service in the armed forces of the United States to certain members of the Public Employees' Retirement Fund;

(C) excludes all military income, including retirement and survivor's benefits, from state adjusted gross income;

(D) requires the Department of Transportation to set a goal of awarding to disabled veteran businesses 0.5% of the total dollar amount of contracts funded by federal grants;

(E) establishes employment criteria for employees of the Department of Veterans' Affairs and local service officers;

(F) provides for reimbursement of certain expenses of medal of honor recipients;

(G) provides that a power of attorney for prosecution of veterans' benefits runs to an agency or individual authorized by the Department of Veterans' Affairs;

(H) provides a \$500 payment to certain members of the national guard or armed forces;

(I) provides a \$150,000 death benefit for members of the national guard or the armed forces who die in the line of duty after September 10, 2001;

(J) establishes the Veterans' Affairs Trust Fund and Board to provide assistance to veterans and their families;

(K) provides that an otherwise eligible person, or the otherwise eligible child of a person who: (1) served on active duty; or (2) suffered a service connected disability or death; may receive a tuition exemption from a state educational institution;

(L) expands the high school diploma program for eligible veterans to include veterans of the Korean and Vietnam conflicts;

(M) repeals the \$2,000 state income tax deduction for military income;

(N) extends from 18 months to 24 months after the completion of active military service the time by which a member of the teachers' retirement fund (TRF) is required to return to: (1) active teaching; (2) an approved four year teacher training program; or (3) for an employee of a state institution of higher education, baccalaureate or post-baccalaureate education; in order to receive TRF service credit for the member's active military service; provides for an extension of up to 36 months (rather than 30 months) of the 24 month deadline under certain circumstances.

(O) provides that certain members of the armed forces or law enforcement officers are not required to complete a hunter education course before obtaining a hunting license;

(P) annually appropriates up to \$350,000 from the state General Fund to the Military Family Relief Fund;

(Q) specifies that active duty military personnel stationed in Indiana are eligible for resident tuition rates at state educational institutions;

(R) authorizes various licensing boards to adopt rules to expedite the licensure of individuals whose spouses are stationed on active duty in Indiana; and

(S) makes appropriations.

Effective Date: January 1, 2007 (retroactive); July 1, 2007; January 1, 2008.

Explanation of State Expenditures: (Revised) *Summary* -

Provision	State Impact	Appropriation
(A) Requires the DOA to collect information on price preferences for certain contracts; provides a 10% price preference for disabled veteran businesses in certain contracts and public works projects; sets a goal for contracts with disabled veteran businesses equal to 3% of total expenditures.	Increases administrative costs and duties of the DOA; Increases administrative duties of other affected state agencies; Increases the costs of certain contracts.	NA
(B) Grants up to two years of service credit for active duty service in the armed forces of the United States to certain members of the Public Employees' Retirement Fund.	Additional costs to the state for PERF-covered employees, dependent on the number, age, and salary level of eligible employees.	NA
(C & M) Excludes all military income, including retirement and survivor's benefits, from state adjusted gross income; repeals the \$2,000 state income tax deduction for military income.	Increases administrative costs and duties of the DOR; Revenue loss could potentially total \$18.2 M in FY 2008 and \$18.4 M in FY 2009.	NA
(F) Provides for reimbursement of certain expenses of medal of honor recipients.	Increases administrative duties and costs of the IDVA.	Appropriates an unspecified amount of money from the state General Fund to establish the program.
(G) Provides that a power of attorney for prosecution of veterans' benefits runs to an agency or individual authorized by the IDVA.	Increases administrative duties and costs of the IDVA.	NA
(H) Provides a \$500 payment to certain members of the national guard or armed forces.	<u>Current Impact:</u> Total <u>minimum</u> payments under the bill would equal \$25.5 M; <u>Future Impact:</u> Unknown, dependent on the number of future unduplicated National Guard and armed forces persons that are called to active duty from Indiana.	The bill annually appropriates to the IDVA from the state General Fund an amount sufficient to make the \$500 payments.
(I) Provides a \$150,000 death benefit for members of the National Guard or the armed forces who die in the line of duty after September 10, 2001.	<u>Current Impact:</u> \$29.1 M; <u>Future Impact:</u> Unknown.	The bill annually appropriates to the IDVA from the state General Fund an amount sufficient to make the death benefit payments.
(J) Establishes the Veterans' Affairs Trust Fund and Board to provide assistance to veterans and their families.	Members of the Board are entitled to reimbursement.	Annually appropriates from the state GF amount sufficient to carry out the purpose of the Fund.

Provision	State Impact	Appropriation
(K) Provides that an otherwise eligible person, or the otherwise eligible child of a person who: (1) served on active duty; or (2) suffered a service-connected disability or death may receive a tuition exemption from a state educational institution.	<u>Current Impact:</u> A maximum of about 76,000 individuals might qualify for the benefit. The number of persons applying for a tuition exemption is not known. If 10% of the eligible veterans attended a state educational institution, the impact on the state would be approximately \$25.8 M in FY 2008. <u>Future Impact:</u> Approximately 5,000 to 6,000 additional veterans would be eligible annually until the war on terror ends.	The bill annually appropriates sufficient money from the State General Fund to provide tuition exemptions for eligible persons.
(L) Expands the high school diploma program for eligible veterans to include veterans of the Korean and Vietnam conflicts	Increases administrative duties for the IDVA; Minimal increase in expenditures for the DOE to produce additional diplomas.	NA
(N) Extends from 18 months to 24 months after the completion of active military service the time by which a member of the TRF is required to return to active teaching, an approved teacher training program, or for an employee of a state institution of higher education, baccalaureate or post-baccalaureate education; in order to receive TRF service credit; provides for an extension of up to 36 months under certain circumstances.	Additional liability generated would be approximately \$5,772 per person affected. The number of persons affected is not known. Actual increases in annual payout cost will depend upon the number of teachers affected, their military service, their age, and accrued TRF service characteristics. The fund affected is the state General Fund.	NA
(O) Provides that certain members of the armed forces or law enforcement officers are not required to complete a hunter education course before obtaining a hunting license.	The proposal could reduce state expenditures to the extent that the DNR could spend less for providing hunter education. The DNR provides hunter education free of charge. The number of individuals that the provision could apply to could be well over 50,000.	NA
(P) Annually appropriates up to \$350,000 from the state General Fund to the Military Family Relief Fund.		Annually appropriates up to \$350,000 from the state General Fund.

Provision	State Impact	Appropriation
(Q) Specifies that active duty military personnel stationed in Indiana are eligible for resident tuition rates at state educational institutions.	Military personnel stationed in Indiana would be able to pay the resident tuition and fees instead of the out-of-state fees which range from \$2,500 to \$19,000 more annually per year than resident fees. The provision would reduce the amount of tuition the university receives for these students, but the overall impact on universities is probably minor.	NA
®) Authorizes various licensing boards to adopt rules to expedite the licensure of individuals whose spouses are stationed on active duty in Indiana.	The bill allows: the Division of Professional Standards within the DOE, a Health Professions Standards Board, and a Professional Standards Licensing Board; to adopt rules to establish procedures to expedite the issuance, renewal, or reinstatement of a license, certificate, registration, or permit, of a person whose spouse served on active duty and is assigned to a duty station in Indiana. All entities should be able to do so within their existing level of resources.	NA

Background -

(A) *Disabled Veteran Business: Administrative Costs:* This bill will cause an indeterminable increase in administrative costs to the Department of Administration (DOA) by requiring the DOA to develop procedures, amend forms, and adopt rules concerning the provisions of this bill that require:

- (1) a 10% price preference for; and
- (2) an annual 3% of expenditures goal for awarding contracts to;

disabled veteran businesses. A disabled veteran business as defined in the bill means a business entity that is 51% or more owned by one or more veterans with a service-connected disability. Service-connected disability means a disability incurred or aggravated in the line of duty in the active military, naval, or air service. It is estimated that the DOA could implement these provisions through the use of existing staff and resources.

The Commissioner of the DOA is also required to report to the Legislative Council, before October 1 of each year, the:

- (1) number of bids by disabled veteran businesses;
- (2) the number of contracts awarded to disabled veteran businesses; and
- (3) the status of reaching the 3% of expenditures goal in contracting with disabled veteran businesses.

The bill also requires other affected state agencies, before August 15 of each year, to report to the DOA concerning items (1) through (3) listed above.

Contracting Costs: It is estimated that this bill will increase the contract costs associated with:

- (1) the public works contracts of all state agencies and local units of government;
- (2) supply contracts of all state agencies and local units of government;
- (3) all port commission contracts; and
- (4) all state highway contracts.

The impact will ultimately be determined by the difference in price and contract terms between a contract awarded to a disabled veteran business that may have otherwise been awarded to another business entity. It is estimated that there will be a difference in the price of contract awarded to disabled veteran businesses as a result of the 10% price preference required in the bill. An example of the impact of a 10% price preference is that if a non-disabled veteran business bids \$10,000 for a public works contract, and a disabled veteran business bids \$10,999 on the same contract, the disabled veteran business would be awarded the public works contract.

(B) *Service Credit for Active Duty Members:* The additional costs to the state and local units with PERF-covered employees will depend upon the number, the age, and the salary level of employees eligible for the military service credit. The actuary for PERF has estimated that the value of one year of PERF service for those age 50 and above is approximately 10% of the person's salary. If the average annual compensation does not exceed \$50,000, the maximum allowable annual compensation, the value per individual is estimated at \$5,000 per year, or \$10,000 maximum for the two years. The funds affected are: (1) the state General Fund at 55% and (2) various dedicated funds at 45%. The percentages reflect the personal services contribution in the state budget.

(C & M) *Military Income Deduction:* The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate the new deduction for military service income. The DOR's current level of resources should be sufficient to implement this change.

(D) *DOT Contracts:* The following table shows the estimated federal revenue to be received by the INDOT for FY 2008 and FY 2009, along with the estimated 0.5% set-aside amount for disabled veteran businesses.

	FY 2007 Est.	FY 2008 Est.	FY 2009 Est.
Federal Core Programs (6%> FY 2008 based on federal funding history)	\$ 582.6 M	\$ 611.5 M	\$ 648.2 M
Federal Earmarks etc. (1% growth)	\$ 40.4 M	\$ 40.8 M	\$ 41.2 M
TOTAL	\$ 623.0 M	\$ 652.3 M	\$ 689.4 M
0.5% set-aside		\$ 3.262 M	\$ 3.447 M

(F) *Medal of Honor Awardee Compensation Program:* The bill requires the Director of the IDVA to establish a program and set guidelines under which a Medal of Honor awardee who is a resident of Indiana may receive compensation when called upon to attend and participate in official ceremonies within Indiana. The Director would likely experience an increase in administrative duties as a result. The bill also appropriates an unspecified amount of money from the state General Fund to establish the program.

(G) *Power of Attorney Requirement*: The bill allows the IDVA to act as power of attorney and authorize action on behalf of a veteran in obtaining a benefit or an advantage provided under Indiana law. As proposed, the IDVA reports that it would experience an increase in workload. However, it should be able to incorporate the requirement within its existing level of resources. The IDVA would be responsible for scanning, digitally storing, and reviewing a veteran's application. The IDVA would also be responsible for representing a veteran during an appeals process, should one take place.

(H) *\$500 Payment to National Guard and Armed Forces Personnel*: The bill provides a one-time payment of \$500 to members of the National Guard and the armed forces of the United States who: (1) are residents of Indiana, and (2) served on active duty for at least 150 days in a period of 365 days outside of Indiana between August 2, 1990, and November 30, 1995, or after September 10, 2001.

Information is not available which provides an unduplicated count of active duty military and reserve or National Guard personnel that fought during the time periods in which a person would be eligible for a \$500 benefit under the bill. Data from the Defense Manpower Data Center and the Indiana National Guard indicates that a minimum of 51,000 persons served on active duty during the time periods defined under the bill. Should the minimum number of eligible persons apply for the \$500 benefit, total minimum payments under the bill would total \$25.5 M.

It is important to note that this number is likely significantly higher than 51,000. Should an additional 10,000 persons qualify for the benefit, total payments would equal \$30.5 M; should 20,000 additional persons qualify, total payments would equal \$35.5 M.

This provision requires the IDVA to adopt rules to make \$500 payments to National Guard and United States armed forces personnel. The IDVA should be able to do so within its existing level of resources.

The bill annually appropriates to the IDVA from the state General Fund an amount sufficient to make the \$500 payments.

(I) *Death Benefit for Certain Armed Forces and National Guard Members*: The bill provides a death benefit of \$150,000 for a member of: (1) the armed forces of the United States, (2) an active or reserve component of the National Guard who: (a) was a resident of Indiana, and (b) died in the line of duty after September 10, 2001; to the surviving spouse; if there is no surviving spouse, the surviving children; or if there is not a surviving spouse and there are no surviving children, the parent or parents in equal shares.

The Defense Manpower Data Center reports that as of November 22, 2006, 189 Indiana service members have died while on active duty since September 10, 2001. This figure includes active duty military, reserves, and National Guard. In addition, the National Guard reports that 5 National Guard members have died in accident situations while at basic training. The number of military and reserve persons who have died who were not on active duty is not known. Given the aforementioned figures, a minimum of 194 persons with relatives would be eligible for the monetary benefit totaling \$29.1 M. It should be noted that all members may not have a surviving spouse, child, or parent. Thus, overall expenditures may be reduced as a result. In addition, this figure will likely increase in the future should additional persons become deceased.

This provision requires the IDVA to adopt rules to make death benefit payments. The IDVA should be able to do so within its existing level of resources.

The bill annually appropriates to the IDVA from the state General Fund an amount sufficient to make the

death benefit payments.

(J) *Veterans' Affairs Trust Fund*: The bill establishes the Veterans' Affairs Trust Fund to provide assistance to veterans and their families. The Fund consists of: (1) appropriations by the General Assembly, (2) donations, gifts, grants, and bequests, (3) interest and dividends on assets of the Fund, (4) money transferred to the Fund from other funds, and (5) money from any other source deposited in the Fund.

The bill also establishes the Veterans Affairs' Trust Fund Board. The Board consists of 13 members and meets at least quarterly or at the call of the chairperson.

Members of the Board who are not state employees are entitled to a minimum salary per diem of \$35 under IC 4-20-11-2.1(b). Currently, this statute is overridden by Section 15 of the budget bill which provides a higher reimbursement of \$50. It should be noted that should the budget bill dictate a different amount of reimbursement in the future, or not address reimbursement, this reimbursement level could change. Members are also entitled to reimbursement for traveling expenses and other expenses actually incurred in connection with the member's duties. Members who are state employees but who are not members of the General Assembly are entitled to reimbursement for traveling expenses and other expenses actually incurred in connection with the member's duties. Members who are members of the General Assembly are entitled to the same per diem, mileage, and travel allowance paid to legislative members of interim study committees established by the Legislative Council. Reimbursement for Board members who are members of the General Assembly is to be paid from appropriations made to the Legislative Council or the Legislative Services Agency.

The Board is to: (1) manage and develop the Fund and the assets of the Fund; (2) establish a policy for the investment of the assets of the Fund and: (a) consider the immediate needs of veterans and their families to the extent those needs are not addressed by the Military Family Relief Fund, and (b) have as its long-term goal creating a self-sustaining fund that is not dependent on legislative sources of funding; (3) acquire money for the Fund through the solicitation of private or public donations and other revenue producing activities; and (4) perform other tasks consistent with prudent management and development of the Fund. In addition, the Board is required to adopt rules which: (a) establish programs to be funded by the Fund, (b) determine eligibility and application procedures for programs established under (a), and (c) otherwise implement the Fund.

The expenses of administering the Fund are to be paid from the Fund. Money in the Fund does not revert to the state General Fund or any other fund at the end of a fiscal year.

The bill annually appropriates from the state General Fund an amount to the Board sufficient to carry out the purpose of the Fund.

(K) *Tuition Exemption for Certain Active Duty Persons with Service-Connected Disabilities*: The bill exempts veterans who listed Indiana as their residence when they enlisted and suffered a service-connected disability or served after September 10, 2001, and before the conclusion of the war on terror from all tuition and fees at state educational institutions.

As of 2005 there were about 46,078 Indiana disabled veterans receiving compensation. It is also estimated that between 20,000 and 30,000 persons have served in the military since September 10, 2001. A maximum of about 76,000 individuals might qualify for the benefit, but the number of eligible veterans would annually increase by probably 5,000 to 6,000 until the war on terror ends.

The program is similar to the fee remission program the State Student Assistance Commission (SSAC) provides for children and spouses of certain disabled or deceased veterans. For FY 2006, 5,063 individuals participated in the fee remission program, and the average cost to the state was \$3,196.77 per student. SSAC projects the cost to increase by about 6% per year. The per student cost in the bill would be less since the cost is reduced by any program under federal law, National Guard Tuition Supplement Program, or other sources.

As an example, if 10% of the eligible veterans attended a state educational institution and the average fee remission for FY 2008 was \$3,390, then the impact on the state would be about \$25.8 M. SSAC might also require some additional people or resources to administer the program. The bill annually appropriates sufficient money from the state General Fund to carry out the purposes of the bill.

Under the bill, the Commission on Veterans' Affairs is responsible for determining whether an individual is eligible for a tuition exemption. This would increase the administrative duties of the Commission.

The bill makes it a Class A misdemeanor to knowingly or intentionally submit a false or misleading application or other document when applying for a veterans' tuition exemption.

(L) *High School Diplomas for Veterans from the Korean and Vietnam Conflicts*: The bill modifies the definition of eligible veteran to include persons who fought in the Korean and Vietnam conflicts. Under current law, eligible veterans are entitled to an honorary high school diploma. Under the bill, the Department of Education (DOE) would incur expenditures to produce additional diplomas for Korean and Vietnam veterans, and the IDVA would incur additional administrative responsibility to verify the eligibility of veterans from the Korean and Vietnam conflicts. The fiscal impact to state expenditures is currently indeterminable but expected to be minimal.

Background Information: Projections from the United States Department of Veterans' Affairs indicate that approximately 230,000 veterans from the Korean and Vietnam conflicts currently live in Indiana. There could be additional veterans living out of state that left an Indiana high school to enter the Vietnam or Korean conflicts that may qualify. There may also be veterans living in Indiana that attended an out-of-state high school.

During the 2002 session, the Indiana General Assembly passed P.L.127-2002. Since that time, a total of 276 honorary diplomas were awarded to World War I and World War II veterans who dropped out of high school in order to enlist in the armed forces of the United States. Of the 276 diplomas, the DOE has awarded 47 diplomas at the state level, versus 229 diplomas awarded at the local school district level. The DOE reports that total costs to produce a diploma are dependent on the type of diploma created, and are minimal.

(Revised) (N) *TRF Service Credit*: There are no specific data concerning the number of teachers who would be affected by this change. The additional liability generated would be approximately \$5,772 per person affected. The actual increase in annual payout cost will depend upon the number of teachers affected, their military service, their age, and accrued TRF service characteristics. The fund affected is the state General Fund.

(Revised) (O) *Hunter Education Course Exemption*: The proposal could reduce state expenditures to the extent that the Department of Natural Resources (DNR) could spend less for providing hunter education. The DNR provides hunter education free of charge. IC 14-22-11-5 requires that a person born after December 31, 1986, must have successfully completed a hunter education course offered by the DNR or the DNR's

agent. The course is free. Under the proposal, the eligible individuals would not have to complete the hunter education course in order to obtain a license. This provision could reduce expenses generated by providing the instruction to eligible individuals. The number of individuals that the provision could apply to could be well over 50,000.

The DNR is funded through state General Fund revenues and other dedicated funds.

(Revised) (P) *Military Family Relief Fund Appropriation*: Currently the Military Family Relief Fund (Fund) consists of: (1) appropriations made by the General Assembly, (2) donations to the Fund, (3) interest, (4) money transferred to the Fund from other funds, (5) annual supplemental fees for from the Hoosier Veterans and Support Our Troops license plates, and (6) money from any other source authorized or appropriated for the Fund.

Under the bill, in addition to an appropriation made by the General Assembly under current law (see (1)), there is annually appropriated from the state General Fund to the Fund an amount equal to the lesser of the following: (a) the sum of: donations made (see (2)), plus fees (see (6) above), deposited during the immediately preceding SFY; (b) \$350,000.

The Fund was established as of January 1, 2007 and will accrue initial revenue during CY 2007. Thus, this provision would affect the state General Fund beginning in SFY 2008. The dollar amount of donations and fees which would be collected is not known. Actual annual increase in expenditures from the state General Fund would be \$350,000 or less.

Background Information: Prior to CY 2007, the Bureau of Motor Vehicles (BMV) administered a Hoosier Veterans special recognition license plate. SEA 75 - 2006 required the BMV to terminate the issuance of the plate effective July 1, 2006 and subsequently replace it with the Hoosier Veterans license plate. Annual revenue for this license plate was approximately \$500,000.

(Revised) (Q) *Tuition Exemption for Active Duty Persons Stationed in Indiana*: Military personnel stationed in Indiana would be able to pay the resident tuition and fees instead of the out-of-state fees. The provision would reduce the amount of tuition the university receives for these students, but the overall impact on universities is probably minor. According to the Defense Manpower Data Center there were 887 active duty members of the U.S. armed forces stationed in Indiana. (Note: The totals in 2004 and 2005 were reportedly 994 and 1,014, respectively.) The number of these active duty service personnel who currently attend a state university, or who may in the future, is unknown. Out-of-state fees range from about \$2,500 to \$19,000 more per year than resident fees.

(Revised) (R) *Adoption of Rules*: The bill allows: the Division of Professional Standards within the Department of Education (DOE), a Health Professions Standards Board (as defined in IC 25-1-9-1), and a Professional Standards Licensing Board (as defined in IC 25-1-11-1); to adopt rules to establish procedures to expedite the issuance, renewal, or reinstatement of a license, certificate, registration, or permit, of a person whose spouse served on active duty and is assigned to a duty station in Indiana. All entities should be able to do so within their existing level of resources.

Explanation of State Revenues: (C & M) *Military Income Deduction*: The bill would reduce Adjusted Gross Income (AGI) Tax liabilities of individual taxpayers who receive military service income. The revenue loss due to this bill could potentially total \$18.2 M in FY 2008 and about \$18.4 M in FY 2009. The revenue loss is expected to increase thereafter by about 1.5% annually.

Background Information: The bill replaces the current \$2,000 AGI deduction for military service income with a deduction for all military service income received by a taxpayer that is not excluded from federal gross income. This would include retirement and survivors benefits received by any taxpayer. The deduction is effective beginning in tax year 2007. Under current statute, a taxpayer may deduct up to \$2,000 in military service income from AGI. This includes military retirement, provided the recipient is 60 years old or older, and survivors benefits. State tax return data indicates that 36,530 taxpayers claimed the deduction for military service pay and retirement benefits in tax year 2004, deducting approximately \$72.5 M in military pay and retirement benefits. This amount resulted in a revenue loss of about \$2.5 M. From 1999 to 2004, this deduction increased by an average of 1.5% per year. U.S. Department of Defense (DOD) military census and pay rate data suggests that a full deduction for military service income could potentially increase the total annual deduction amount by about \$534 M in tax year 2007, with a tax impact of about \$18.2 M. Recent DOD retirement pay data does not delineate between taxable and tax-exempt military retirement payments to Indiana retirees. However, the proportion that is tax-exempt is not expected to exceed 10% of total retirement payments. Thus, the revenue loss from the bill could be somewhat lower to the extent that DOD's military retirement payments to Indiana retirees reflect federally tax-exempt retirement income.

Since the increase in the deduction for military service income is effective beginning in tax year 2007, the fiscal impact would begin in FY 2008. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of the revenue is deposited in the Property Tax Replacement Fund.

(K) *Tuition Exemption for Certain Active Duty Persons with Service-Connected Disabilities, Penalty Provision:* If additional court cases occur and fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class A misdemeanor is \$5,000. However, any additional revenue would likely be small.

(Revised) (O) *Hunter Education Course Exemption:* Eliminating the requirement that certain individuals have to take the hunter education course in order to obtain a license could result in an increase in hunting licenses sold. Revenue generated by the license fee is deposited into the Fish and Wildlife Fund and used to finance the operations of the Division of Fish and Wildlife. From January 1 through November 28, 2006, the DNR sold over 288,000 hunting licenses and over 61,000 hunting and fishing licenses.

Explanation of Local Expenditures: (Revised) *Summary -*

Provision	Local Impact
(A) Requires the DOA to collect information on price preferences for certain contracts; provides a 10% price preference for disabled veteran businesses in certain contracts and public works projects; sets a goal for contracts with disabled veteran businesses equal to 3% of total expenditures.	Increase in public works contracting costs.
(B) Grants up to two years of service credit for active duty service in the armed forces of the United States to certain members of the Public Employees' Retirement Fund.	Additional costs to local units for PERF-covered employees, dependent on the number, age, and salary level of eligible employees.
(C & M) Excludes all military income, including retirement and survivor's benefits, from state adjusted gross income; repeals the \$2,000 state income tax deduction for military income.	Counties imposing local option income taxes could potentially experience a significant decrease in revenue from these taxes
(L) Expands the high school diploma program for eligible veterans to include veterans of the Korean and Vietnam conflicts	Increases expenditures for school corporations minimally to produce additional diplomas.
(N) Extends from 18 months to 24 months after the completion of active military service the time by which a member of the TRF is required to return to active teaching, an approved teacher training program, or for an employee of a state institution of higher education, baccalaureate or post-baccalaureate education; in order to receive TRF service credit; provides for an extension of up to 36 months under certain circumstances.	The 1996 TRF Plan (New Plan) is actuarially funded with a level percent of payroll, currently 7%. It is unlikely that this bill will require an increase from the current level percent of payroll.

(A) *Disabled Veteran Business:* Under this bill, all local units of government could face an estimated increase in public works contracting costs. The bill requires local units to provide:

- (1) a 10% price preference for; and
- (2) an annual 3% of expenditures goal for awarding contracts to;

disabled veteran business. The impact will ultimately be determined by the difference in price and contract terms between a contract awarded to a disabled veteran business that may have otherwise been awarded to another business entity. It is estimated that there will be a difference in the price of contract awarded to disabled veteran businesses as a result of the 10% price preference required in the bill.

(B) *Service Credit for Active Duty Members:* See *Explanation of State Expenditures*.

(K) *Tuition Exemption for Certain Active Duty Persons, Penalty Provision:* A Class A misdemeanor is punishable by up to one year in jail.

(L) *High School Diplomas for Veterans from the Korean and Vietnam Conflicts:* See *Explanation of State Expenditures*.

(Revised) (N) *TRF Service Credit:* The 1996 TRF Plan (New Plan) is actuarially funded with a level percent of payroll, currently 7%. It is unlikely that this bill will require an increase from the current level percent of payroll.

Explanation of Local Revenues: (C & M) *Military Income Deduction:* Because the proposed increase in the deduction for military service income would serve to decrease taxable income, counties imposing local option income taxes (CAGIT, COIT, and/or CEDIT) could potentially experience a significant decrease in revenue from these taxes.

(K) *Penalty Provision:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, any change in revenue would likely be small.

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF, 317-576-1508; OFMA Income Tax databases, 1996-2004; Budget document of the INDOT; Tom Applegate, Indiana Department of Veterans Affairs; LTC Gerald Hadley, Indiana National Guard; Defense Manpower Data Center; United States Department of Veterans Affairs, Veterans Population Data; Jeff Zaring, Department of Education; Gabriel Roeder Smith & Co., actuaries for TRF, 1-800-521-0498.; Tom Abbett, Controller, Teachers' Retirement Fund, 317-232-3826; Department of Natural Resources.

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